

Indian Steel Industry: January 2023 – A Trend Report

The outlook for the domestic steel industry in the New Year remains somewhat promising with the macro-economic fundamentals like manufacturing & services PMI, IIP, core infrastructure growth remaining strong and inflation staying within RBI's comfort zone. Any further spike in Covid-19 infections in the country and subsequent disruptions in the industry's operations also look very unlikely. However, global headwinds like slump in Chinese property market, downturn in both the US and European markets, and supply-chain issues due to Russia-Ukraine war are expected to keep the Indian Steel industry cautiously optimistic going ahead.

WORLD ECONOMY AT A GLANCE

- The global manufacturing downturn showed signs of easing at the start of 2023, according to the latest PMI survey for January 2023. Rates of contraction in output and new orders both slowed during the month under review.
- JP Morgan Global Manufacturing PMI stood at 49.1 in January 2023 compared with 53.2 in the same month of the previous year. The index, however, showed a marginal improvement compared with December 2022's reading of 48.7, to signal a slow rate of decrease.
- Only nine out of 31 nations for which January data were available signalled expansions in output. The few pockets of growth were largely confined to Asia, with India, Indonesia, Russia, the Philippines, Thailand and Myanmar all registering increases. Italy, the Netherlands and Canada were the remaining nations to see production rise. Elsewhere, there were also signs of downturn easing.

Key Economic Figures			
Country	GDP 2021: %change*	Manufacturing PMI	
		December 2022	January 2023
India	8.2	57.8	55.4
China	8.1	49	49.2
Japan	1.7	48.9	48.9
USA	5.7	46.2	46.9
Eurozone	5.2	47.8	48.8
Brazil	4.6	44.2	47.5
Russia	4.7	53	52.6
South Korea	4.0	48.2	48.5
Germany	2.9	47.1	47.3
Turkey	11.0	48.1	48.1
Italy	6.6	48.5	50.4

Source: GDP: official releases; PMI- Markit Economics, *provisional

GLOBAL CRUDE STEEL PRODUCTION

World crude steel production stood at 1,831.5 mt in 2022, registering a decline of 4.3% year-on-year (yoy), according to provisional data released by World Steel Association (worldsteel). In the month of December 2022, world crude steel production stood at 140.7 mt, down 10.8% yoy.

World Crude Steel Production (Prov)				
Rank	Top 10	2022 (mt)	2021 (mt)	% yoy change
1	China	1,013.0	1034.7	(-)2.1
2	India	124.7	118.2	5.5
3	Japan	89.2	96.3	(-)7.4
4	USA	80.7	85.8	(-)5.9
5	Russia	71.5	77.0	(-)7.2
6	South Korea	65.9	70.4	(-)6.5
7	Germany	36.8	40.2	(-)8.4
8	Turkey	35.1	40.4	(-)12.9
9	Brazil	34.0	36.0	(-)5.8
10	Iran	30.6	28.3	8.0
Top 10 Total		1581.6	1627.5	(-) 2.8
World		1831.5	1914.4	(-) 4.3
Source: worldsteel				

Major observations:

- China remained the leader in world crude steel production with an output of 1,013.0 mt in 2022, a decline of 2.1% yoy. The country accounted for 55.3% of world crude steel production during 2022 compared to 54% of 2021.
- India was the 2nd largest producer of crude steel with an output of 124.7 mt in 2022, showing a yoy growth of 5.5%. The country accounted for 6.8% of world crude steel production during 2022.
- **Further, India and Iran were the only two countries among the top 10 steel producing countries in the world which registered growth in production during 2022.**
- Japan was the 3rd largest producer of crude steel with an output of 89.2 mt in 2022 period, down by 7.4% yoy. Japan accounted for 4.9% of world crude steel production during the period.
- With crude steel production of 80.7 mt (down 5.9% yoy), the USA was the 4th largest producer of crude steel during 2022.
- Russia's crude steel production stood at 71.5 mt (down 7.2% yoy) in 2022 and the country was the 5th largest producer of crude steel.

- The top 10 countries' cumulative production in 2022 stood at 1581.6 mt (down 2.8% yoy) and they accounted for 86.4% of world crude steel production during 2022 compared to 85% of 2021.
- Asian crude steel production stood at 1345 mt during 2022, showing a 2.3% decline yoy, led primarily by China and India, with their respective shares of 75% and 9% in total Asian crude steel production during 2022, same as in 2021 in both cases.

GLOBAL DRI PRODUCTION

India led global DRI production in 2022

World DRI production stood at 110.5 mt in 2022, showing a yoy growth of 6.9%, according to provisional data released by worldsteel. In December 2022, world DRI production stood at 8.9 mt, down by 2.0% yoy.

World DRI Production (Prov)			
Rank	Top 5	2022 (mt)	% yoy change
1	India	42.0	7.6
2	Iran	32.9	8.0
3	Russia	7.7	-1.6
4	Saudi Arabia	6.7	8.7
5	Egypt	6.0	12.5
Top 5 Total		87.4	7.3
World		101.3	6.9
Source: worldsteel			

Major observations:

- India remained the leader in world DRI production with an output of 42.0 mt (up 7.6% yoy) in 2022. The country accounted for 38% of world DRI production during the calendar year 2022.
- Iran was the 2nd largest producer of DRI with a cumulative production of 32.9 mt in 2022 (up 8.0% yoy). It accounted for 29.8% of world DRI production during 2022.
- Russia ranked third in terms of DRI production with a cumulative output of 7.7 mt (down 1.6% yoy) during 2022. The country accounted for 6.9% of world DRI production during the period.
- The top 5 countries accounted for nearly 86.2% of total world DRI production in the year 2022 with a cumulative output of 95.3 mt, up by 7.3% yoy.

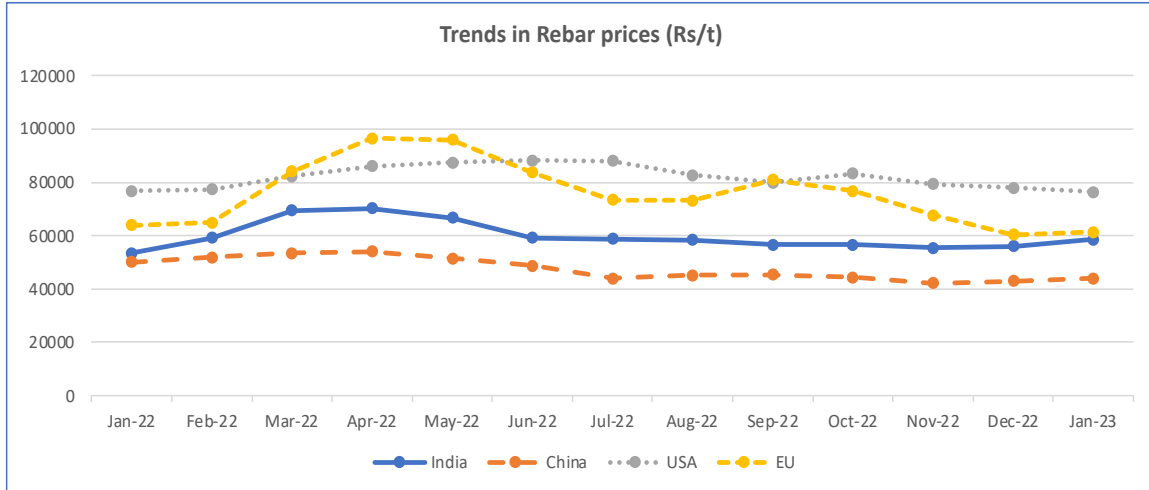
WORLD STEEL PRICE TRENDS

Global steel prices continued to remain under pressure from many sides in January 2023:

- a) the Russia-Ukraine conflict and its many-sided repercussions, from raw material supply to logistics to uncertainties in trade flows to the growing impact of sanctions
 - b) developments in the Chinese market: fresh emergence of COVID-19 cases, persistent weakness in its property market where investment is falling at its fastest pace since early 2020, its earlier extreme heatwave conditions and its impact on disrupted power supply to manufacturing units and crippling demand and its overall bearish outlook
 - c) fluctuations in prices of major raw materials for steel making which showed an upward trend at the end of January 2023
 - d) downturn in euro zone manufacturing activity still continuing though natural gas prices in Europe has dropped significantly
 - e) recessionary traits in the US and fear of the same sparking off a global recession
 - f) concerns over a softening Chinese economy, where demand forecasts are being curtailed by leading agencies in view of its weak growth prospects and its possible adverse impact on the rest of Asia
- ❖ Steel prices thus continued to remain largely south-bound during Q4 2022 with rises if any, noted with caution and with most participants adopting a wait-and-watch outlook – for markets to stabilise before they return for significant volume of transactions.
- ❖ Relevant to note here that with the exception of India and Iran, global crude steel production in January-December 2022 remained on a declining trend in all the major steel producing markets.

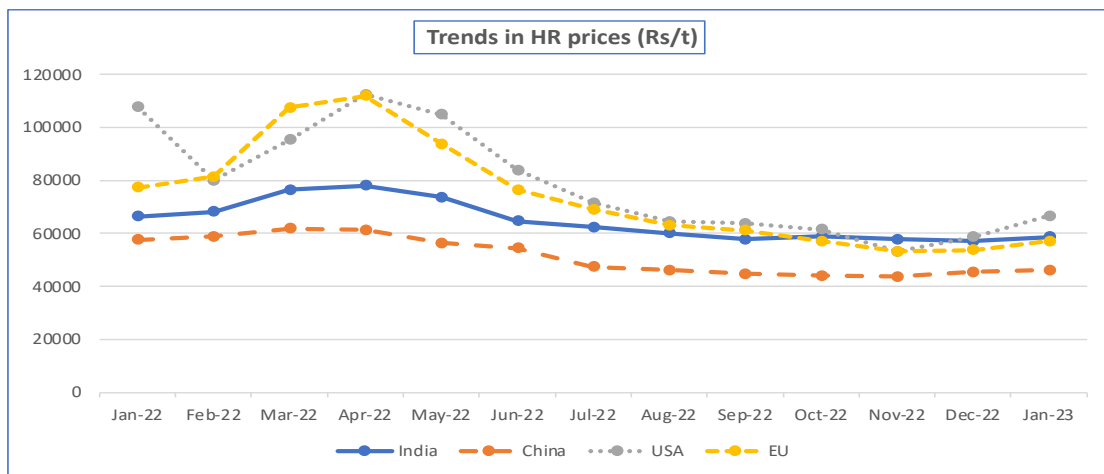
Long Products

- Rebar / TMT prices have seen fluctuations in all the major markets, due to a mix of seasonal factors, local supply-demand imbalance and policy impact.
- Chinese rebar prices have suffered due to lack of demand recovery post-holiday and persistent weakness in its property market. A number of Chinese banks have hiked the mortgage loan rates to revive the housing market. The measures may increase the volume of housing transactions and consequently lead to stronger demand.
- The prices of rebar in the USA witnessed a softening due to lacklustre spot activity, while Russian rebar prices edged up further with rising scrap prices, higher export value compared with the domestic prices and approach to the busy season starting in March.
- Demand in the European steel rebar market remained depressed amid weak end-user consumption, impact of Russian crisis and a continued wait-and-watch policy among buyers.



Flat Products

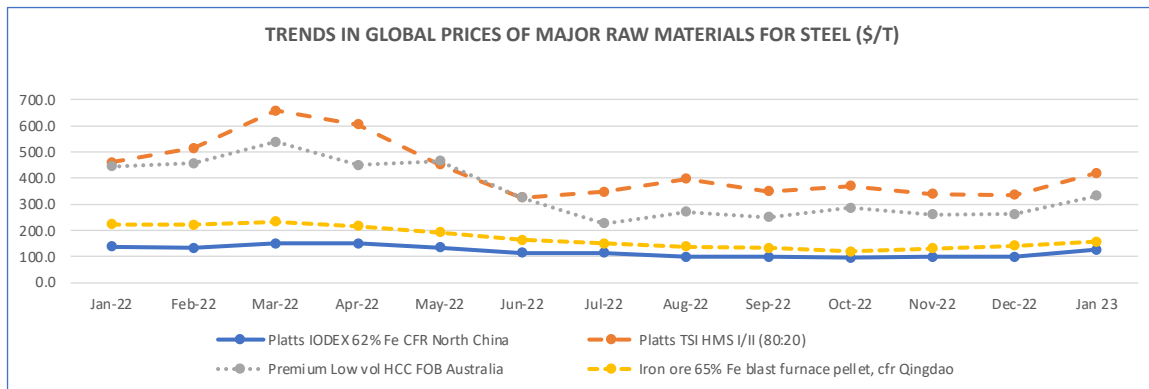
- HRC prices have started off 2022 on a slow note but have peaked in April 2022 (except China), dipping steadily thereafter till December 2022. In January 2023, the prices have again shown an upward trend.
- The above peaking may well be attributed to the impact of the Russia-Ukraine crisis – a feature noted for rebar prices as well.
- Chinese flat steel prices have been affected by the same set of pervasive and persistent factors as in case of long products while tight supply from reduced factory utilisation rates and a lack of imports have impacted flat prices in the USA largely.
- Prices of HRC in Europe were also on the rise. Good order books, limited availability and some restocking were the main factors behind the price rise.
- Russian HRC prices have increased due to limited supplies from mills, with some large stockists reporting a scarcity of material on offer.



[Source Credit: Fastmarkets Metal Bulletin]

RAW MATERIAL SCENARIO

Prices of major raw materials for steel making – iron ore, scrap, coal - have peaked in March 2022, soon after the onset of the Russia-Ukraine war and have largely slipped thereafter, impacted by dull demand-supply conditions in most markets around the globe. However, in January 2023, prices have again shown an early trend of rise.



[Source Credit: Fastmarkets Metal Bulletin, Platts, JPC (India news)]

NEWS AROUND THE GLOBE

- Turkey has postponed the introduction of 5-11% import duty increases for flat steel products until April 1, 2023, because of the impact of the recent earthquakes in the south of the country.
- Russia's Novolipetsk Steel (NLMK) plans to sell its long steel mills amid unfavorable market conditions. The company's long steel division includes NLMK-Ural, NLMK-Kaluga and NLMK-Metiz, which specialize in producing square billet, rebar, wire rod, sections and various metal ware products.
- The European Commission has terminated an expiry review of anti-dumping measures in force on imports of hot rolled steel products imported from Ukraine. The expiry investigation was initiated October 5, 2022 and formed part of a wider review of EU anti-dumping measures on certain flat-rolled iron, non-alloy steel or other alloy steel products imported from Brazil, Iran, Russia and Ukraine.
- Turkey's 2022 steel sections exports declined 17% on year to 1.81 mt, due to low demand from some key export markets especially in the second-half of the year.
- Komite Anti Dumping Indonesia has begun a sunset review on imports of H and I steel sections from China. The review is being conducted following a request from PT Gunung Raja Paksi as the present antidumping duties of 11.93% are due to expire on April 2, 2024, after being in effect for five years.
- Salzgitter has acquired recycling company Must-Metalle-Container-Recycling as part of its strategy to secure supply for its low-CO₂ steelmaking transformation.

- South Korea’s YK Steel plans to start up a new minimill with a capacity to produce 1 mtpa of rebar in 2025 at Dangjin.
- Australia’s first metallurgical coal shipment is set to arrive in China in February 2023 after a gap of several years when an unofficial ban on Australian coal in 2020 halted coal trade between the two countries.
- The UK government’s Trade Remedies Authority has proposed that the UK keep the antidumping measure on heavy plate steel from China until March 1, 2027, according to interim findings.
- Malaysia has begun an anti-dumping review of cold-rolled stainless steel from China, South Korea, Taiwan and Thailand. The sunset review covers tariffs “imposed on imports of cold-rolled stainless steel in coils, sheets or any other form with the thickness of between 0.3 mm to 6.5 mm and width of not more than 1,600 mm.”

INDIAN STEEL MARKET ROUND-UP

The following is a status report on the performance of Indian steel industry during April-December 2022, based on provisional data released by Joint Plant Committee (JPC) in its MIS Report for April-December 2022. It is to be noted that total finished steel includes both non-alloy and alloy (including stainless steel) and all comparisons are made with regard to same period of last year.

Item	Performance of Indian steel industry		
	April-December 2022*(mt)	April-December 2021 (mt)	% change*
Crude Steel Production	92.500	88.074	5.0
Hot Metal Production	59.449	57.809	2.8
Pig Iron Production	4.443	4.422	0.5
Sponge Iron Production	31.990	29.189	9.6
Total Finished Steel (alloy/stainless + non-alloy)			
Production	88.217	83.100	6.2
Import	4.404	3.458	27.4
Export	4.741	10.329	-54.1
Consumption	85.880	76.738	11.9
Source: JPC; *provisional; mt=million tonnes			

Overall Production

- **Crude Steel:** Production at 92.500 million tonnes (mt), up by 5.0%.
- **Hot Metal:** Production at 59.449 mt, up by 2.8%.
- **Pig Iron:** Production at 4.443 mt, up by 0.5%.
- **Sponge Iron:** Production at 31.990 mt, up by 9.6%, led by coal-based route (81% share).

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- **Total Finished Steel:** Production at 88.217 mt, up by 6.2%.

Contribution of Other Producers

- **Crude Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 56.303 mt (61% share) during this period, up by 3.3%. The rest (36.197 mt) came from the Other Producers, up by 7.8%.
- **Hot Metal:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 53.911 mt (91% share) up by 4.2%. The rest (5.538 mt) came from the Other Producers, down by 8.7%.
- **Pig Iron:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 0.951 mt (21% share) down by 19.4%. The rest (3.492 mt) came from the Other Producers, up by 7.7%.
- **Total Finished Steel:** SAIL, RINL, TSL Group, AM/NS, JSWL & JSPL together produced 50.725 mt (58% share) up by 6.6%. The rest (37.492 mt) came from the Other Producers, up by 5.6%.

Contribution of Public Sector Units (PSU)

- **Crude Steel:** With 82% share, the Private Sector (76.254 mt, up by 7.0%) led crude steel production compared to the 18% contribution of the PSUs (down by 3.2%).
- **Hot Metal:** With 71% share, the Private Sector (42.183 mt, up by 6.6%) led hot metal production, compared to the 29% contribution of the PSUs (down by 5.4%).
- **Pig Iron:** With 93% share, the Private Sector (4.133 mt, up by 5.7%) led pig iron production, compared to the 7% contribution of the PSUs (down by 39.4%).
- **Total Finished Steel:** With 85% share, the Private Sector (74.599 mt, up by 6.2%) led production of total finished steel, compared to the 15% contribution of the PSUs (up by 6.1%).

Contribution of Flat /Non-Flat in Finished Steel

- **Production:** Non-flat products accounted for 54% share (up by 7.0%), the rest 46% was the share of flats (up by 5.2%).
- **Import:** Flat products accounted for 93% share (up by 29.6%), the rest 7% was the share of non-flats (up by 3.1%).
- **Export:** Flat products accounted for 86% share (down by 49.2%), the rest 14% was the share of non-flats (down by 71.2%).
- **Consumption:** Led by Non-flat steel (54% share; up by 7.6%) while the rest 46% was the share of flat steel (up by 17.4%).

Finished Steel Production Trends

- At 88.217 mt, production of total finished steel was up by 6.2%.
- Contribution of the non-alloy steel segment stood at 81.220 mt (92% share, up by 4.3%), while the rest was the contribution of the alloy steel segment (including stainless steel).

- In the non-alloy, non-flat segment, in volume terms, major contributor to production of total finished steel was Bars & Rods (36.375 mt, up by 6.1%) while growth in the non-alloy, flat segment was led by HRC (33.770 mt, up by 1.8%) during this period.

Finished Steel Export Trends

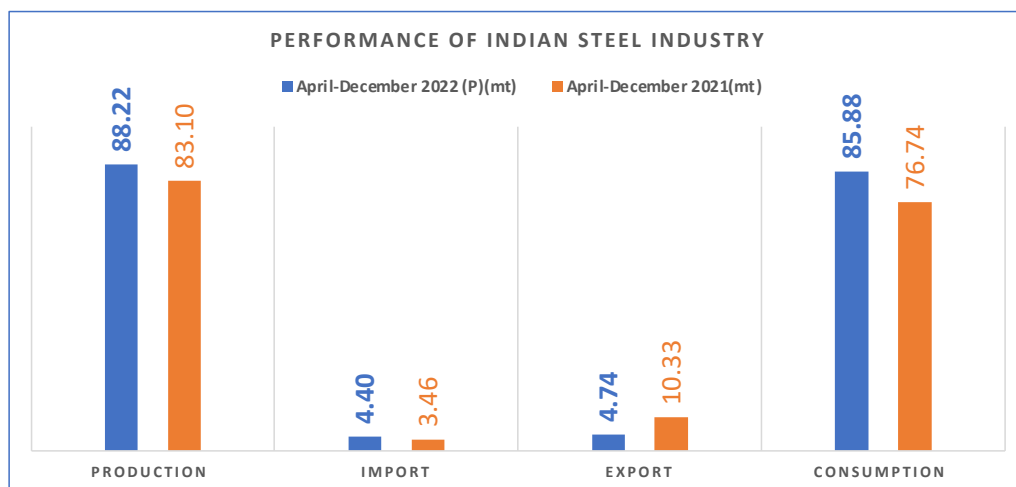
- Overall exports of total finished steel at 4.741 mt, down by 54.1%.
- Volume wise, HR Coil/Strip (2.466 mt) was the item most exported (41% share in total finished steel). Major share (57%) of such exports was from Alloy/Stainless.
- Vietnam (0.748 mt) was the largest export market for India.

Finished Steel Import Trends

- Overall imports of total finished steel at 4.404 mt, up by 27.4%.
- India was a net exporter of total finished steel in April-December 2022.
- Volume wise, HR Coil/Strip (1.45 mt) was the item most imported (33% share in total finished steel).
- Korea (1.698 mt) was the largest import market for India (39% share in total).

Finished Steel Consumption Trends

- At 85.880 mt, consumption of total finished steel was up by 11.9%.
- Contribution of the non-alloy steel segment stood at 79.233 mt (92% share, up by 11.4%), while the rest was the contribution of the alloy steel segment (including stainless steel).
- In the non-alloy, non-flat segment, in volume terms, major contributor to consumption of total finished steel was Bars & Rods (35.727 mt, up by 6.5%) while growth in the non-alloy, flat segment was led by HRC (33.090 mt, up by 18.4%) during this period.



INDIAN ECONOMY – HIGHLIGHTS OF PERFORMANCE

GDP: As per provisional estimates of the Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation, Real Gross Domestic Product (GDP) at Constant (2011-12) Prices in Q2 2022-23 is estimated to have attained a level of ₹ 38.17 lakh crore, as against ₹ 35.89 lakh crore in Q2 2021-22, showing a growth of 6.3 per cent. Barring *Manufacturing* and *Mining & Quarrying*, all the other sectors reported growth during this period, with *Trade, Hotels, Transport, Communications and Services related to Broadcasting* sector reporting the highest growth (14.7%) and *Manufacturing* sector, the lowest (-4.3%).

Industrial Production: Provisional CSO data show that the overall Index of Industrial Production (IIP) for April-December 2022 rose by 5.4% over same period of last year, encouraged by similar high levels of growth trends noted for the various sectors/sub-sectors.

Infrastructure Growth: Provisional data released by the DPIIT indicate that the Index for the Eight Core Infrastructure Industries saw a growth of 8% during April-December 2022 with all the sectors, barring only crude oil, reporting increase in output.

Inflation: The rate of inflation based on Consumer Price Index stood at 5.72% and that on Wholesale Price Index stood at 4.95% in December 2022. Both the inflation rates came down compared with November 2022.

Prepared by: Joint Plant Committee